

VILLAGE OF CASEVILLE, MICHIGAN

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 29, 2008

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VILLAGE OF CASEVILLE, MICHIGAN

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REPORT OF INDEPENDENT AUDITORS

To The Honorable Village Council
Village of Caseville
Caseville, Michigan 48725

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Caseville, Michigan, as of and for the year ended February 29, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Caseville, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Caseville, Michigan, as of February 29, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2008, on our consideration of the Village of Caseville, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through vii and 28 through 29, are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Report of Independent Auditors (Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Caseville's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NIETZKE & FAUPEL, P.C.
PIGEON, MICHIGAN

August 28, 2008

VILLAGE OF CASEVILLE

Management Discussion and Analysis Statement

INTRODUCTION

This discussion and analysis of the Village of Caseville financial reports provides an overview of the financial activities for the fiscal year ended February 29, 2008. This analysis should be used as a review of the highlights of the Village's activities and its relationship to the financial well being of the Village.

FINANCIAL HIGHLIGHTS

- The assets of the Village's governmental activities exceeded the liabilities at the end of the fiscal year by \$845,502, an increase of \$63,040 from the previous year.
- The assets of the Village's business-type activities exceeded the liabilities at the end of the fiscal year by \$4,906,815, a decrease of \$202,150 from the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is provided as an introduction to the Village's financial statements provided in the annual report. The reports are prepared using a reporting structure that all local governments must use. Comparison tables from the past year are provided to illustrate trends and changes in the financial condition of the Village.

The Village's financial statements are provided in two forms. The first is the government-wide financial statements that show a compilation or summary of the entire Village's finances. The Statement of Net Assets uses accounting similar to private business accounting and shows all the Village's assets and liabilities. The other government-wide statement is the Statement of Activities. This financial statement shows the change in the Village's net assets during the 2007-08 fiscal year.

The second form of financial statements is the Fund Financial Statements. A fund is a group of activities that is used to maintain management control over specific revenues, activities and objectives. Each fund is considered a separate accounting entity and is used to demonstrate compliance with legal requirements related to financing issues.

The governmental funds are used to account for basically the same activities as reported as governmental activities in the government-wide financial statements. The proprietary funds are used to report the same functions presented as the business-type activities in the government-wide financial statements.

VILLAGE OF CASEVILLE
Management Discussion and Analysis Statement

The following table shows the net assets of the Village as of February 29, 2008 and 2007:

	Governmental Activities		Business-Type Activities		Totals	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current assets	\$ 771,700	\$ 807,205	\$ 325,044	\$ 530,183	\$ 1,096,744	\$ 1,337,388
Restricted assets	624,519	686,186	602,122	628,013	1,226,641	1,314,199
Capital assets-net	766,674	700,131	10,767,788	10,719,167	11,534,462	11,419,298
Total assets	<u>2,162,892</u>	<u>2,193,522</u>	<u>11,694,954</u>	<u>11,877,363</u>	<u>13,857,847</u>	<u>14,070,885</u>
Current liabilities	95,874	78,024	338,283	365,683	434,157	443,707
Long-term liabilities	1,221,516	1,333,034	6,449,856	6,402,716	7,671,372	7,735,750
Total liabilities	<u>1,317,390</u>	<u>1,411,058</u>	<u>6,788,140</u>	<u>6,768,399</u>	<u>8,105,532</u>	<u>8,179,457</u>
Net assets:						
Invested in capital assets, net of related debt	(278,326)	(399,869)	4,412,188	4,431,598	4,133,862	4,031,729
Restricted	430,351	476,804	343,335	343,335	773,686	820,139
Unrestricted	693,477	705,527	151,293	334,033	844,770	1,039,560
Total net assets	<u>\$ 845,502</u>	<u>\$ 782,463</u>	<u>\$4,906,815</u>	<u>\$5,108,965</u>	<u>\$5,752,317</u>	<u>\$5,891,428</u>

GOVERNMENTAL ACTIVITIES

The Village's governmental activities include the activities in several funds. These are the functions of the Village that are supported by taxes, user fees, intergovernmental revenue, and service charges. The activities included are for general government, public safety, highways and public improvements, sanitation, community development, parks and recreation, and interest on long-term debt.

The general revenue of the governmental activities was \$921,737 and exceeded the net expenses of \$858,697. This resulted in an increase in net assets of \$63,040.

BUSINESS TYPE ACTIVITIES

The Village business-type activities include the water and sewer funds. The Village provides sanitary sewer service to the residents of Caseville using a gravity/pump lagoon system. Water is supplied using a lake intake system with a water filtration plant. Water is provided to two other government entities that pay on the basis of water usage using a rate created based on the cost of water production. The Village of Pigeon and sections of Caseville Township are the entities. A new water intake and plant filtration system was constructed in 2006-07 and financed with a USDA loan. The annual loan payment is split with the Caseville Township and the Village of Pigeon.

VILLAGE OF CASEVILLE
Management Discussion and Analysis Statement

The business-type activities in total showed a decrease in net assets as a whole from \$5,108,965 to \$4,906,815. The decrease totaled \$202,150 and can be attributed to losses in both the sewer and water funds. The sewer fund's revenue decreased in 2007-2008 and the expenses of the water fund increased due mainly to an increase in the fund's depreciation expense.

The following table shows the Village's change in net assets for the years ended February 29, 2008 and 2007:

	Governmental Activities		Business-Type Activities		Totals	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenue:						
Program revenue:						
Charges for services	\$ 111,631	\$ 109,453	\$1,147,444	\$1,027,549	\$1,259,075	\$1,137,002
General revenue:						
Property taxes	607,694	583,621			607,694	583,621
State shared revenue	158,269	159,842			158,269	159,842
Unrestricted investment earnings	31,598	32,313	28,533	28,407	60,131	60,720
Miscellaneous	130,813	112,680			130,813	112,680
Transfers - net	(6,637)	41,946	3,814	(39,038)	(2,823)	2,908
Total revenue	<u>1,033,368</u>	<u>1,039,855</u>	<u>1,179,791</u>	<u>1,016,918</u>	<u>2,213,159</u>	<u>2,056,773</u>
Expenses:						
General government	353,561	336,511			353,561	336,511
Public safety	260,282	257,169			260,282	257,169
Highways and public improvements	215,849	216,694			215,849	216,694
Sanitation	88,569	92,824			88,569	92,824
Parks and recreation	22,702	18,967			22,702	18,967
Unallocated depreciation	19,615	15,604			19,615	15,604
Interest on long-term debt	9,750	10,156			9,750	10,156
Water			1,041,909	830,905	1,041,909	830,905
Sewer			340,033	355,666	340,033	355,666
Total expenses	<u>970,328</u>	<u>947,925</u>	<u>1,381,942</u>	<u>1,186,571</u>	<u>2,352,270</u>	<u>2,134,496</u>
Change in net assets	63,040	91,930	(202,150)	(169,653)	(139,110)	(77,723)
Net assets - beginning	<u>782,463</u>	<u>690,535</u>	<u>5,108,965</u>	<u>5,278,618</u>	<u>5,891,427</u>	<u>5,969,153</u>
Net assets - ending	<u>\$ 845,502</u>	<u>\$ 782,463</u>	<u>\$4,906,815</u>	<u>\$5,108,965</u>	<u>\$5,752,317</u>	<u>\$5,891,427</u>

VILLAGE OF CASEVILLE

Management Discussion and Analysis Statement

BUDGET VARIATIONS

The actual general fund revenues were \$20,928 more than the budgeted revenues and the actual expenses were \$31,287 less than the budgeted expenses. Three general fund expense activities had budget variations. The first was the Department of Public Works that showed a variance of \$9,079 that was caused by after period adjustments. The second was the Leaf & Brush pickup section of the Collection & Disposal Activity where the budget was exceeded by \$331. The third was the Downtown Development Activity where the payment exceeded the budget by \$10,630.

The Sewer proprietary fund also had budget variances. The Sewer Fund showed actual revenues less than the budgeted revenue by \$1,733. The actual expense exceeded the budgeted expense by \$76,441. This unfavorable budget variance resulted because depreciation of \$117,084 was not budgeted.

The other proprietary fund, the Water Fund, showed actual revenues more than budgeted amounts by \$87,507. The discrepancy was the result of an overall increase in water usage. The actual expense was \$367,822 less than budgeted expense mainly because the water intake project that was budgeted was capitalized and not expensed.

CAPITAL ASSET AND DEBT ACTIVITY

The Village as of February 29, 2008 had capital assets, both in its governmental and business-type activities of \$11,508,883 (net of accumulated depreciation). These assets include roads, buildings and land, sewer and water systems, equipment, and other infrastructure used by the Village to provide services to the public.

The new lake water intake system and a new water plant filtration system came on line late in the prior fiscal year. The intake will provide pre-filtered water that will come from a buried intake system. The debt on this asset will be paid over a 40-year period and was financed by the USDA Rural Development.

The long term debt that the Village has incurred, including bonds for water, sewer, DDA Streetscape improvements, Oxbow dredging project, and the 2006 Water Intake total \$7,375,022. A detailed itemization can be viewed in Note No. 7 on page 23.

ECONOMIC FACTORS, CURRENTLY KNOWN FACTS, OR CONDITIONS

There are several economic factors, currently know facts or conditions for the Village of Caseville for the next fiscal year that will effect the Village's financial position.

An out of court settlement was accomplished with Caseville Township regarding the Interloal Water agreement that dictates the payment and responsibilities for water sold by the Village to the Township.

The Village voters approved the continuation of the process for the Village to become a city. This form of government will mean the Village residents will deal with only one

VILLAGE OF CASEVILLE

Management Discussion and Analysis Statement

government entity instead of two for taxes, assessments, elections and all other services now provided by the Township.

Although the economy of Michigan continues to suffer, the tourism business in the Village has lead to no unoccupied downtown businesses. Although the Village has had to deal with a few foreclosed houses, the success of the Cheeseburger in Caseville Festival has had a large positive impact on the local economy and will continue each year.

CONTACT FOR ADDITIONAL INFORMATION

This discussion is meant to be an overview of the Village's financial position for the fiscal year ended February 29, 2008. To view the complete audit or for an explanation of the audit or other financial aspects of the Village's operations, please contact the Village office at 6767 Main Street, P.O. Box 1049, Caseville, MI 48725 -- (989) 856-2102.

BASIC FINANCIAL STATEMENTS

VILLAGE OF CASEVILLE, MICHIGAN

**STATEMENT OF NET ASSETS
FEBRUARY 29, 2008**

	GOVERNMENTAL ACTIVITIES	BUSINESS - TYPE ACTIVITIES	TOTALS
<u>ASSETS</u>			
Cash	\$ 138,627		\$ 138,627
Investments	543,752	\$ 59,897	603,649
Accounts receivable	26,969	179,636	206,605
Taxes receivable	57,762	4,158	61,920
Prepaid expenses	22,384		22,384
Inventory		63,559	63,559
Internal balances	(17,794)	17,794	
Restricted assets:			
Investments	430,351	316,297	746,647
Special assessments receivable	194,168	285,825	479,994
Capital assets	1,472,142	15,060,885	16,533,027
Less accumulated depreciation	(705,468)	(4,318,676)	(5,024,144)
Bond issue costs		25,579	25,579
TOTAL ASSETS	<u>2,162,892</u>	<u>11,694,954</u>	<u>13,857,847</u>
<u>LIABILITIES</u>			
Accounts payable	8,168	12,604	20,773
Accrued wages and payroll taxes	7,706	5,153	12,860
Accrued interest		154,535	154,535
Current portion of long-term debt	80,000	165,991	245,991
Accrued compensated absences	62,347		62,347
Deferred revenue	194,169	285,825	479,994
Notes payable		239,022	239,022
General obligation bonds payable	965,000	5,925,009	6,890,009
TOTAL LIABILITIES	<u>1,317,390</u>	<u>6,788,140</u>	<u>8,105,532</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	(278,326)	4,412,188	4,133,861
Restricted for:			
Debt service	97,077	283,500	380,577
Capital projects	332,622	59,835	392,457
Police forfeiture	652		652
Unrestricted	693,477	151,293	844,770
TOTAL NET ASSETS	<u>\$ 845,502</u>	<u>\$ 4,906,815</u>	<u>\$ 5,752,317</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF CASEVILLE, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 29, 2008

	PROGRAM REVENUES			NET (EXPENSE) REVENUES & CHANGES IN NET ASSETS			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
<u>Governmental Activities:</u>							
General government	\$ 353,561	\$ 15,502			\$ (338,059)		\$ (338,059)
Public safety	260,282	4,442			(255,841)		(255,841)
Highways and public improvements	215,849	3,330			(212,519)		(212,519)
Sanitation	88,569	88,357			(211)		(211)
Parks and recreation	22,702				(22,702)		(22,702)
Unallocated depreciation	19,615				(19,615)		(19,615)
Interest on long-term debt	9,750				(9,750)		(9,750)
Total governmental activities	970,328	111,631	-	-	(858,697)		(858,697)
<u>Business-Type Activities:</u>							
Water	1,041,909	883,178				\$ (158,732)	(158,732)
Sewer	340,033	264,267				(75,766)	(75,766)
Total business-type activities	1,381,942	1,147,444	-	-		(234,498)	(234,498)
Total Government	\$ 2,352,270	\$ 1,259,076	\$ -	\$ -	(858,697)	(234,498)	(1,093,194)
General Revenue:							
Property taxes					607,694		607,694
State shared revenues					158,269		158,269
Unrestricted investment earnings					31,598	28,533	60,131
Miscellaneous					130,813		130,813
Transfers - net					(6,637)	3,814	(2,823)
Total general revenues and transfers					921,737	32,347	954,084
Change in net assets					63,040	(202,150)	(139,110)
Net assets - beginning					782,463	5,108,965	5,891,427
Net assets - ending					\$ 845,502	\$ 4,906,815	\$ 5,752,317

VILLAGE OF CASEVILLE, MICHIGAN
BALANCE SHEET - GOVERNMENTAL FUNDS
FEBRUARY 29, 2008

	<u>GENERAL</u>	<u>DOWNTOWN DEVELOPMENT AUTHORITY</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>				
Cash	\$ 90,256	\$ 48,371		\$ 138,627
Investments	132,436	66,012	\$ 32,553	231,002
Accounts receivable	26,969			26,969
Taxes receivable	9,201	48,561		57,762
Prepaid expenses	22,384			22,384
Due from other funds	5,678		5,669	11,347
Restricted assets:				
Investments			430,351	430,351
Special assessments receivable			194,168	194,168
TOTAL ASSETS	<u>\$ 286,924</u>	<u>\$ 162,944</u>	<u>\$ 662,740</u>	<u>\$ 1,112,608</u>
<u>LIABILITIES AND FUND EQUITY</u>				
<u>LIABILITIES:</u>				
Accounts payable	\$ 5,317			\$ 5,317
Accrued wages and payroll taxes	6,332		\$ 978	7,311
Deferred revenue			194,169	194,169
Due to other funds	7,150	\$ 976	2,451	10,577
TOTAL LIABILITIES	<u>18,800</u>	<u>976</u>	<u>197,598</u>	<u>217,374</u>
<u>FUND EQUITY:</u>				
Fund balance:				
Reserved for debt service			97,077	97,077
Reserved for capital projects			332,622	332,622
Reserved for police forfeiture			652	652
Unreserved	268,124	161,968	34,791	464,883
TOTAL FUND EQUITY	<u>268,124</u>	<u>161,968</u>	<u>465,142</u>	<u>895,234</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 286,924</u>	<u>\$ 162,944</u>	<u>\$ 662,740</u>	<u>\$ 1,112,608</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF CASEVILLE, MICHIGAN

**RECONCILIATION OF GOVERNMENTAL FUND BALANCES
TO GOVERNMENTAL ACTIVITIES NET ASSETS
FEBRUARY 29, 2008**

Total governmental fund balances	\$ 895,234
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. The cost of the assets is \$1,472,142 less the accumulated depreciation of \$705,468.	766,674
Internal service fund is not included in the governmental funds.	290,941
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,107,347)
Net assets - governmental activities	<u>\$ 845,502</u>

VILLAGE OF CASEVILLE, MICHIGAN

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED FEBRUARY 29, 2008**

	<u>GENERAL</u>	<u>DOWNTOWN DEVELOPMENT AUTHORITY</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUE:				
Property taxes	\$428,789	\$ 14,794		\$ 443,584
Current TIFA payments		114,740		114,740
Special assessments			\$ 15,390	15,390
Licenses and permits	19,670			19,670
Intergovernmental	91,734		111,782	203,516
Charges for services	87,838			87,838
Fines and forfeits	4,384			4,384
Interest	10,484	8,977	16,802	36,264
Administrative charges	62,200			62,200
Miscellaneous	30,831		10,267	41,098
TOTAL REVENUE	<u>735,933</u>	<u>138,511</u>	<u>154,241</u>	<u>1,028,684</u>
EXPENDITURES:				
Current:				
Village council/president/clerk	48,906			48,906
Elections	2,076			2,076
Administration	145,700		4,040	149,740
Village hall and grounds	29,800			29,800
Police protection	195,557		27,402	222,959
Breakwall area	15,778			15,778
Department of public works	85,531			85,531
Routine maintenance			130,161	130,161
Winter maintenance			17,547	17,547
Trunkline maintenance			27,325	27,325
Water board	678			678
Leaf and brush	24,681			24,681
Public utilities	35,013			35,013
Sanitation	65,276			65,276
Recreation	20,626			20,626
Planning commission	1,942			1,942
Zoning board of appeals	7,804			7,804
Downtown development authority	83,520	35,119		118,639
Debt service - principal and interest payments		81,094	39,750	120,844
TOTAL EXPENDITURES	<u>762,889</u>	<u>116,213</u>	<u>246,226</u>	<u>1,125,327</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(26,956)</u>	<u>22,298</u>	<u>(91,984)</u>	<u>(96,642)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	36,603		96,041	132,645
Operating transfers out	(65,821)		(71,560)	(137,381)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(29,218)</u>		<u>24,481</u>	<u>(4,737)</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF CASEVILLE, MICHIGAN
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED FEBRUARY 29, 2008

	<u>GENERAL</u>	<u>DOWNTOWN DEVELOPMENT AUTHORITY</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>(56,174)</u>	<u>22,298</u>	<u>(67,503)</u>	<u>(101,379)</u>
FUND BALANCE - BEGINNING	324,298	139,670	532,646	996,614
FUND BALANCE - ENDING	<u>\$268,124</u>	<u>\$161,968</u>	<u>\$ 465,142</u>	<u>\$ 895,234</u>

VILLAGE OF CASEVILLE, MICHIGAN

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 29, 2008**

Net change in fund balances - governmental funds	\$ (101,379)
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Amounts reported for governmental activities in the statement of net activities are different because:

Governmental funds report capital outlay as expenditures. However, in the *Statement of Activities*, assets with an initial, individual cost of more than \$1,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 97,410	
Depreciation expense	<u>(27,320)</u>	
		70,090

Long-term accrued compensated absences are treated as an expense in the statement of activities.	16,306
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The net revenue of certain activities of internal service fund is reported with governmental activities.	23,023
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Payment of long-term debt is an expenditure in the governmental funds, but not in the Statement of Activities.	55,000
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Change in net assets - governmental activities	<u>\$ 63,040</u>
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VILLAGE OF CASEVILLE, MICHIGAN

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
FEBRUARY 29, 2008**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUND
	<u>SEWER</u>	<u>WATER</u>	<u>TOTALS</u>	
<u>ASSETS</u>				
CURRENT ASSETS:				
Investments	\$ 51,247	\$ 8,650	\$ 59,897	\$ 312,750
Accounts receivable	51,489	128,147	179,636	
Taxes receivable	4,158	-	4,158	
Due from other funds		3,450	3,450	
Inventory	12,395	51,164	63,559	
TOTAL CURRENT ASSETS	119,289	191,412	310,700	312,750
RESTRICTED ASSETS:				
Investments	200,797	115,500	316,297	
Special assessments receivable	285,825		285,825	
TOTAL RESTRICTED ASSETS	486,622	115,500	602,122	
CAPITAL ASSETS				
Sewer system	7,097,128		7,097,128	
Water system		7,963,757	7,963,757	
Equipment				582,612
TOTAL CAPITAL ASSETS	7,097,128	7,963,757	15,060,885	582,612
LESS: ACCUMULATED DEPRECIATION	(2,041,641)	(2,277,035)	(4,318,676)	(391,397)
CAPITAL ASSETS - NET	5,055,487	5,686,722	10,742,209	191,215
OTHER ASSETS				
Bond issue costs (net of amortization)		25,579	25,579	
TOTAL ASSETS	5,661,397	6,019,213	11,680,610	503,965
<u>LIABILITIES</u>				
CURRENT LIABILITIES:				
Due to other funds	1,457	2,375	3,831	389
Accounts payable	-	12,604	12,604	2,851
Accrued interest	56,625	97,910	154,535	
Accrued wages and payroll taxes	854	4,300	5,153	394
Maturing bonds payable	65,000	100,991	165,991	
TOTAL CURRENT LIABILITIES	123,935	218,180	342,115	3,634
NONCURRENT LIABILITIES:				
Deferred revenue	285,825		285,825	
Notes payable		239,022	239,022	
Bonds payable	2,265,000	3,826,000	6,091,000	
Less current portion	(65,000)	(100,991)	(165,991)	
TOTAL NONCURRENT LIABILITIES	2,485,825	3,964,031	6,449,856	
TOTAL LIABILITIES	2,609,761	4,182,210	6,791,971	3,634
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	2,790,487	1,621,701	4,412,188	191,215
Restricted for:				
Debt service	168,000	115,500	283,500	
Capital projects	32,797	27,038	59,835	
Unrestricted	60,354	72,763	133,118	309,116
TOTAL NET ASSETS	\$ 3,051,637	\$ 1,837,002	4,888,640	\$ 500,331
Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds			18,175	
Net assets of business-type activities			\$ 4,906,815	

The accompanying notes are an integral part of the financial statements.

VILLAGE OF CASEVILLE, MICHIGAN

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED FEBRUARY 29, 2008**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUND
	<u>SEWER</u>	<u>WATER</u>	<u>TOTALS</u>	
OPERATING REVENUE:				
Charges for services	\$ 124,254	\$ 878,165	\$ 1,002,419	\$ 108,762
Penalties	1,924	4,515	6,439	
Miscellaneous		498	498	5,127
TOTAL OPERATING REVENUE	<u>126,178</u>	<u>883,178</u>	<u>1,009,356</u>	<u>113,889</u>
OPERATING EXPENSES:				
Salaries and wages	37,558	191,235	228,793	10,725
Employee benefits	22,127	111,674	133,801	6,349
Administration	14,540	43,620	58,160	
Office supplies		148	148	
Operating supplies	5,915	36,946	42,862	22,144
Lab supplies		14,889	14,889	
Maintenance supplies		4,981	4,981	
Contracted services		9,427	9,427	
Legal		5,380	5,380	
Utilities	8,280	48,678	56,958	4,880
Amortization		673	673	
Depreciation	117,084	241,744	358,828	36,030
Repairs and maintenance	3,244	34,613	37,856	10,042
Insurance	5,305	35,328	40,633	9,976
Equipment rental	10,365	22,724	33,089	
Miscellaneous	2,048	1,063	3,110	
TOTAL OPERATING EXPENSES	<u>226,466</u>	<u>803,122</u>	<u>1,029,587</u>	<u>100,147</u>
OPERATING INCOME (LOSS)	<u>(100,288)</u>	<u>80,056</u>	<u>(20,232)</u>	<u>13,744</u>
NONOPERATING REVENUE (EXPENSES):				
Interest income	18,982	9,553	28,533	13,460
Interest expense - long-term debt	(114,875)	(241,660)	(356,535)	
Service charges - debt	138,089		138,089	
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>42,196</u>	<u>(232,107)</u>	<u>(189,912)</u>	<u>13,460</u>
INCOME (LOSS) BEFORE OTHER FINANCING SOURCES (USES)	<u>(58,092)</u>	<u>(152,051)</u>	<u>(210,144)</u>	<u>27,204</u>
OTHER FINANCING SOURCES (USES):				
Transfer (to) from other funds	43,438	(39,625)	3,814	
TOTAL OTHER FINANCING SOURCES (USES)	<u>43,438</u>	<u>(39,625)</u>	<u>3,814</u>	
CHANGE IN NET ASSETS	<u>(14,655)</u>	<u>(191,677)</u>	<u>(206,332)</u>	<u>27,204</u>
NET ASSETS - BEGINNING	3,066,292	2,028,679		473,127
NET ASSETS - ENDING	<u>\$ 3,051,637</u>	<u>\$ 1,837,002</u>		<u>\$ 500,331</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds			4,181	
Changes in net assets of business-type activities			<u>\$ (202,150)</u>	

VILLAGE OF CASEVILLE, MICHIGAN

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED FEBRUARY 29, 2008**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND
	SEWER	WATER	TOTALS	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 115,944	\$ 1,129,585	\$ 1,245,529	
Receipts from interfund services				\$ 113,889
Payments to suppliers of goods and services	(44,630)	(313,632)	(358,262)	(45,007)
Payments for interfund services	(10,365)	(22,724)	(33,089)	
Payments to employees	(37,558)	(191,235)	(228,793)	(10,725)
Payments for fringe benefits	(22,127)	(111,674)	(133,801)	(6,349)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,263</u>	<u>490,320</u>	<u>491,583</u>	<u>51,808</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers to other funds	43,438	(39,625)	3,813	
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>43,438</u>	<u>(39,625)</u>	<u>3,813</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of assets		(408,122)	(408,122)	(32,483)
Service charges - debt	138,089		138,089	
Proceeds from notes		270,000	270,000	
Lease payment	(28,318)		(28,318)	
Principal paid on notes		(30,978)	(30,978)	
Principal paid on bond maturities	(65,000)	(77,000)	(142,000)	
Interest paid on bonds	(116,500)	(165,471)	(281,971)	
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(71,729)</u>	<u>(411,571)</u>	<u>(483,299)</u>	<u>(32,483)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	18,982	9,553	28,534	13,460
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>18,982</u>	<u>9,553</u>	<u>28,534</u>	<u>13,460</u>
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	<u>(8,047)</u>	<u>48,676</u>	<u>40,630</u>	<u>32,785</u>
CASH AND RESTRICTED CASH - BEGINNING OF THE YEAR	<u>260,090</u>	<u>75,474</u>	<u>335,564</u>	<u>279,965</u>
CASH AND RESTRICTED CASH - END OF THE YEAR	<u>\$ 252,043</u>	<u>\$ 124,150</u>	<u>\$ 376,194</u>	<u>\$ 312,750</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (100,288)	\$ 80,056	\$ (20,232)	\$ 13,744
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	117,084	241,744	358,828	36,030
Amortization		673	673	
(Increase) decrease in current assets:				
Accounts receivable	(8,498)	246,408	237,910	
Taxes receivable	(1,736)		(1,736)	
Inventories	(5,750)	(19,433)	(25,183)	
Due from other funds		(3,450)	(3,450)	
Increase (decrease) in current liabilities:				
Due to other funds	1,456	170	1,626	389
Accounts payable	(985)	(53,067)	(54,052)	2,032
Accrued wages and payroll taxes	(20)	(2,781)	(2,801)	(388)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,263</u>	<u>\$ 490,320</u>	<u>\$ 491,583</u>	<u>\$ 51,808</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF CASEVILLE, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 29, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Village of Caseville operates a Council-President form of government under provisions of a revised charter and provides the following services as authorized by its charter: public safety, highways and streets, sanitation, water, parks and recreation, public improvements, planning and zoning, and general administration.

The Village's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The accounting policies of the Village conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The more significant accounting policies established in GAAP and used by the Village are discussed below.

Reporting Entity:

In evaluating how to define the Village for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the related GASB 14 pronouncement. The basic -- but not the only -- criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Village is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the Village's reporting entity.

Excluded from the reporting entity:

Caseville Schools. This potential component unit has a separate elected board and provides educational services to residents of the Village as well as other surrounding areas. This unit is excluded from the reporting entity because the Village does not have the ability to exercise influence or control over its daily operations, approve budgets or provide funding.

Caseville Township/Village Harbor Commission. The Village of Caseville along with Caseville Township created this separate legal entity for the purpose of planning, acquiring, constructing and operating a community harbor to provide recreational services to the residents of the Village and Township along with the general public. Each governing body appoints three members to create a six member Board of Commissioners. Based on the criteria for determining which component units to include in the reporting entity, the Village's management has excluded the Harbor Commission from the reporting entity of the Village.

VILLAGE OF CASEVILLE, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 29, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Reporting Entity: (Continued)

Caseville Historical Society. This potential component unit is excluded from the reporting entity because the Village does not have the ability to exercise influence or control over their daily operations, approve budgets or provide funding.

Included in the reporting entity:

Downtown Development Authority. According to the criteria of the Governmental Accounting Standards Board, the Downtown Development Authority of the Village of Caseville is considered a component unit of the Village of Caseville and the blending method was used to include the component unit in the Village's reporting entity financial statements. The Village appoints the governing authority and also has the authority to approve contracts.

Government Wide and Fund Financial Statements:

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund financial statements (reporting the Village's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Village's police and general administrative services are classified as governmental activities. The Village's water and sewer are classified as business-type activities.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they become available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

(Continued)

VILLAGE OF CASEVILLE, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 29, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Village are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

State revenue sharing, charges for services and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the Village.

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

The Village reports the following major governmental funds:

General Fund-The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

The **Downtown Development Authority** is a special revenue fund that is classified as a major fund by the Village.

The Village reports the following major proprietary funds:

The **Sewer Fund** accounts for the activities of the Village's wastewater treatment operations.

The **Water Fund** accounts for the activities of the Village's water distribution system.

VILLAGE OF CASEVILLE, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 29, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)

Additionally, the Village reports the following nonmajor fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the resources legally restricted to expenditures for specified current operating purposes and for the enforcement of special services and activities. Accounting and financial reporting for General and Special Revenue Funds are identical. The Village accounts for the Major Street, Local Street, and Police Equipment Fund in special revenue funds.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Fund - The Capital Projects Fund is used to account for all resources for the acquisition of capital facilities by the Village.

Internal Service Funds (Equipment Rental Fund) - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Village, or to other governments, on a cost-reimbursement basis. The Equipment Fund rents equipment to other City funds and departments at an hourly rate determined by the State of Michigan.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by various enterprise funds for providing administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the Utility enterprise funds and the Village's Internal Service fund are charges to customers to the system. Operating expenses for enterprise funds and the internal service fund include the cost of sales and services, administration expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

VILLAGE OF CASEVILLE, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 29, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Budgets and Budgetary Accounting:

The Village Council practices the following procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with the Village charter, prior to February 29, the Village Clerk submits to the Village Council a proposed operating budget for the fiscal year commencing the following March 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The Village charter requires that the budget be submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to February 29, the budget is legally enacted through passage of a resolution.
4. The Village Clerk is required by the Village charter to present a monthly report to the Village Council explaining any variance from the approved budget.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse at the end of each fiscal year.
8. The Village Council may authorize supplemental appropriations during the year.

Cash and Cash Equivalents:

Cash and cash equivalents of the Village include cash on hand and all deposits with financial institutions, including demand deposits and brokerage accounts.

Receivables and Payables:

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Other receivables at February 29, 2008 consist of property taxes, and billings for user charged services, including trash collections and utility services. Taxes, trash and utility charges are deemed collectible in full.

VILLAGE OF CASEVILLE, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Compensated Absences:

Village employees are allowed one day per month sick leave, not to exceed 12 days per year, and may accumulate up to a maximum of sixty days. Upon termination of employment, or retirement of an employee, an employee will be paid in full for all earned unused sick days at his/her current rate of pay. There is no accumulation of unused vacation days allowed. The Village accrues a liability for compensated absences based on the estimate of accumulated sick leave that will be paid to its employees upon termination of employment in accordance with the requirements of GASB Statement 16. For governmental activities, the liability for compensated absences is classified as long-term in the government-wide financial statements since it is anticipated that none of the liability will be liquidated with expendable available financial resources.

Property Taxes:

Property taxes attach as an enforceable lien on property as of December 31. Village taxes are levied on the following July 1 and are payable without penalty through September 14. The Village bills and collects its own property tax. Village property tax revenue is recognized as revenue in the fiscal year levied to the extent that it is measurable and available in accordance with NCGA Interpretation 3 (Revenue Recognition - Property Taxes). The delinquent taxes of the Village are purchased through a revolving fund by Huron County and are therefore included as revenue in the fiscal year levied.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	15 to 50
Buildings	25 to 50
Office equipment	5 to 15
Machinery and equipment	5 to 20
Vehicles	5 to 8
Improvements other than buildings	20

VILLAGE OF CASEVILLE, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 29, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Capital Assets: (Continued)

Depreciation of capital assets used by governmental funds is charged as an expense against their operations on the Statement of Activities. Accumulated depreciation is reported on the governmental Statement of Net Assets. Depreciation expense for the year ended February 29, 2008, was \$63,351. Capital asset acquisitions in the governmental funds totaled \$129,894, and there were dispositions of \$47,474 for the year ended February 29, 2008. A summary of Governmental Fund capital assets follows:

	February 29, <u>2008</u>	February 28, <u>2007</u>
Land (Nondepreciated)	\$ 192,677	\$ 192,677
Roads	128,910	72,003
Buildings	433,731	433,731
Vehicles	22,000	47,000
Equipment	112,212	71,708
Internal Service Fund assets	<u>582,612</u>	<u>572,603</u>
Total capital assets	1,472,142	1,389,722
Less accumulated depreciation	<u>(705,468)</u>	<u>(689,591)</u>
NET GOVERNMENTAL CAPITAL ASSETS	\$ <u>766,674</u>	\$ <u>700,131</u>

Depreciation of capital assets used by business-type funds is charged as an expense against their operations. Accumulated depreciation is reported on business-type fund balance sheets. Depreciation expense for the year ended February 29, 2008 was \$358,828. Capital asset acquisitions in the business-type funds totaled \$408,122 for the year ended February 29, 2008, and there were no dispositions. A summary of Business-Type Fund capital assets follows:

	February 29, <u>2008</u>	February 28, <u>2007</u>
Land (Nondepreciated)	\$2,547,940	\$2,547,940
Land improvements	42,637	42,637
Buildings	276,525	276,525
Wastewater pipelines	4,155,636	4,155,635
Equipment	291,039	253,781
Sewer wells and pumphouses	240,818	240,818
Water system	<u>7,506,290</u>	<u>7,135,426</u>
Total capital assets	15,060,885	14,652,763
Less accumulated depreciation	<u>(4,318,676)</u>	<u>(3,959,848)</u>
NET BUSINESS-TYPE FUND CAPITAL ASSETS	\$ <u>10,742,209</u>	\$ <u>10,692,915</u>

VILLAGE OF CASEVILLE, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 29, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Capital Assets: (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Public safety	\$ 7,705
Unallocated	19,615
Internal service fund	<u>36,031</u>
Total depreciation expense – governmental activities	<u>\$63,351</u>
Business-type activities:	
Sewer	\$117,084
Water	<u>241,744</u>
Total depreciation expense – business-type activities	<u>\$358,828</u>

Long-Term Obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Use of Estimates:

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - BUDGET COMPLIANCE:

P.A. 2 of 1968, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Village's expenditures and budgeted expenditures for the budgetary funds have been shown on a line item basis. The approved budgets of the Village for these budgetary funds were adopted at the department head/function level.

VILLAGE OF CASEVILLE, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 29, 2008

NOTE 2 - BUDGET COMPLIANCE: (CONTINUED)

During the year ended February 29, 2008, the following expenditures were in excess of the amounts appropriated for the year:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Department of Public Works	\$ 76,452	\$ 85,531	\$ 9,079
Leaf and brush	24,350	24,681	331
Downtown development authority	72,890	83,520	10,630

NOTE 3 – DEPOSITS AND INVESTMENTS:

Deposits and investments at February 29, 2008 consist of the following:

Deposits

Cash in bank

Checking \$ 138,627

Certificates of deposit 1,000,461

Investments (Market value)

Money market fund 349,835

Total cash and investments \$1,488,923

The amount of the Village's deposits at February 29, 2008, that were covered by federal depository insurance totaled \$1,101,480 and \$53,062 were uninsured and uncollateralized.

Michigan Compiled Laws Section 129.91 authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Attorney General's Opinion Number 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Village's deposits are in accordance with statutory authority. The Village's investment policy does not specifically address credit risk, custodial credit risk, concentration of credit risk, or interest rate risk in accordance with GASB Statement 40.

VILLAGE OF CASEVILLE, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 29, 2008

NOTE 3 – DEPOSITS AND INVESTMENTS: (CONTINUED)

Cash and investments in the amount of \$746,647 have been restricted for the following purposes as of February 29, 2008:

Police forfeiture	\$ 652
Debt retirement – Oxbow dredging bonds	97,078
Capital improvements:	
Local Street improvements	9,030
Beadle Island bridge	5,000
Village hall	1,213
Department of Public Works	8,672
Sidewalks and Parks	54,929
Sewer sludge removal	114,000
Sewer replacement	45,696
Water distribution	11,189
Water equipment	31,577
Water distribution – 2006 Intake	25,536
Water intake repair and replacement	12,015
Equipment fund	1,384
Recreation	12,379
Debt retirement – Sewer bonds	200,797
Debt retirement – Water bonds	115,500
Total restricted cash and investments	<u>\$746,647</u>

NOTE 4 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

Transfers were made between funds to subsidize operations. The amount of transfers and the amount of interfund receivables and payables are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Operating Transfer In</u>	<u>Operating Transfer Out</u>
General Fund	\$ 5,678	\$ 7,150	\$ 98,803	\$ 65,821
Oxbow Debt Service	3,185			
Police Equipment	515		3,000	
Local Street		2,179	32,597	7,020
Major Street	1,969	273	28,725	2,020
Capital Projects Fund			34,820	68,737
Downtown Development Authority		976		
Internal Service Fund		387		
Sewer Fund		1,457	57,987	29,089
Water Fund	3,450	2,375	15,339	98,584
	<u>\$ 14,797</u>	<u>\$ 14,797</u>	<u>\$ 271,271</u>	<u>\$ 271,271</u>

(Continued)

VILLAGE OF CASEVILLE, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2008

NOTE 5 - PENSION PLAN:

Plan Description: The Village of Caseville participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all employees of the Village. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy: The obligation to contribute to and maintain the system for these employees was established by state statutes and requires a contribution from the employees of 4% of their annual compensation.

Annual Pension Cost: For the year ended February 29, 2008, the Village's annual pension cost of \$53,840 for the plan was equal to the Village's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2007, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, and (c) 2 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 3%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis.

Three year trend information:

	<u>Fiscal year ended December 31,</u>		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Annual pension cost	\$ 46,671	\$ 48,660	\$ 52,343
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-0-	-0-	-0-
Actuarial value of assets	686,173	793,201	915,296
Actuarial Accrued Liability (entry age)	1,026,939	1,160,634	1,279,190
Unfunded AAL	340,766	367,433	363,894
Funded ratio	67%	68%	72%
Covered payroll	452,495	460,781	481,684
UAAL as a percentage of covered payroll	75%	80%	76%

NOTE 6 – RISK MANAGEMENT:

General Liability

Village of Caseville is a member in the Michigan Township Participating Plan for the coverage of significant losses due to its general liability. The membership in the plan constitutes transfer of the risk for significant losses to the plan with a coverage limit of \$5.7 million for real and personal property losses and \$5 million for liability losses. Village of Caseville is required to pay annual premiums to the Michigan Township Participating Plan for the liability coverage. No supplemental premium assessment is required by the Michigan Township Participating Plan. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

VILLAGE OF CASEVILLE, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 29, 2008

NOTE 6 – RISK MANAGEMENT: (CONTINUED)

Workers' Compensation

Village of Caseville purchased commercial insurance coverage for losses related to workers' compensation claims.

Employee Health Care

Village of Caseville purchased commercial insurance coverage for its employees and their dependents

NOTE 7 - LONG-TERM DEBT:

The following is a summary of long-term debt transactions of the Village for the year ended February 29, 2008:

	FEBRUARY 28, 2007	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	FEBRUARY 29, 2008	<u>DUE WITHIN ONE YEAR</u>
Governmental Activities:					
2002 DDA General Obligation Bonds	\$ 800,000		\$ 25,000	\$ 775,000	\$ 50,000
2003 Special Assessment Bonds	300,000		30,000	270,000	30,000
Business Type Activities:					
USDA Water Intake Bonds	3,253,000		32,000	3,221,000	34,000
USDA Sewer Revenue Bonds	2,330,000		65,000	2,265,000	65,000
USDA Water Tower Bonds	225,000		15,000	210,000	15,000
USDA Water Bonds	425,000		30,000	395,000	30,000
Note payable		\$270,000	30,978	239,022	21,991
Lease payable	28,318		28,318	-	-
Totals	<u>\$7,361,318</u>	<u>\$270,000</u>	<u>\$256,296</u>	<u>\$7,375,022</u>	<u>\$245,991</u>

VILLAGE OF CASEVILLE, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 29, 2008

NOTE 7 - LONG-TERM DEBT: (CONTINUED)

The long-term debt, principal and interest, annual requirements to amortize the long-term obligations as of February 29, 2008, including interest of \$5,265,256 are as follows:

FEBRUARY 28,	2002 DDA GENERAL OBLIGATION BOND	2003 SPECIAL ASSESSMENT BONDS	USDA WATER INTAKE BONDS	USDA SEWER REVENUE BOND	USDA WATER TOWER BOND	USDA WATER REVENUE BOND	NOTE PAYABLE
2009	\$ 68,194	\$ 39,150	\$ 166,866	\$178,250	\$ 25,500	\$53,700	\$ 33,106
2010	83,362	38,400	166,464	180,000	24,750	51,900	33,106
2011	80,337	32,613	168,020	176,500	29,000	55,100	33,106
2012	77,313	36,925	167,452	178,000	28,000	249,000	33,106
2013	74,288	36,025	167,844	179,250	27,000	134,400	33,106
2014-2018	499,925	139,737	840,490	869,500	134,250		132,422
2019-2023	104,050		842,978	842,500	5,250		
2024-2028			847,092	823,750			
2029-2033			853,614	317,250			
2034-2038			858,830				
2039-2043			866,080				
2044-2047			523,426				
Total	987,469	322,850	6,469,156	3,745,000	273,750	544,100	\$297,952
Less interest	(212,469)	(52,850)	(3,248,156)	(1,480,000)	(63,750)	(149,100)	(58,931)
Outstanding principal	<u>\$ 775,000</u>	<u>\$270,000</u>	<u>\$3,221,000</u>	<u>\$2,265,000</u>	<u>\$210,000</u>	<u>\$395,000</u>	<u>\$239,022</u>

Details of the Village of Caseville's long-term debt as of February 29, 2008, are as follows:

The Village of Caseville 2002 Downtown Development Bonds, in the amount of \$900,000, were issued August 27, 2002. The bond proceeds, along with a grant of \$500,000 from the Community Development Block Grant funds from the State of Michigan, were issued to construct streetscape improvements in downtown Caseville as well as a boardwalk to the municipal marina. The bonds shall bear interest payable March 1, 2003 and each September 1 and March 1 thereafter until maturity. The bonds final maturity date is September 1, 2018. The interest rates on the bonds are 6.05% through September 1, 2012, and then 4.05% thereafter until maturity. Bond principal payments are due on September 1 of each year in amounts that range from \$25,000 to \$100,000. Bonds maturing in the year 2013 and thereafter shall be subject to redemption prior to maturity at the option of the Village, at par, plus accrued interest to the date fixed for redemption.

\$ 775,000

VILLAGE OF CASEVILLE, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2008

NOTE 7 - LONG-TERM DEBT: (CONTINUED)

The Village of Caseville 2003 Special Assessment Bonds (Oxbow Dredging Project) (General Obligation Limited Tax), in the amount of \$395,000, were issued April 16, 2003. The bond proceeds were issued to finance the dredging of a portion of the Pigeon River within the Village of Caseville. The bonds shall be retired with the proceeds from special assessments collected from the village residents that own property along the river where the dredging took place. The bonds shall bear interest payable October 1, 2003 and each April 1 and October 1 thereafter until maturity. The bonds final maturity date is October 1, 2017. The interest rates on the bonds range from 1.0% to 4.5%. Bond principal payments are due on October 1 of each year in amounts that range from \$10,000 to \$30,000. Bonds maturing in the year 2013 and thereafter shall be subject to redemption prior to maturity at the option of the Village, at par, plus accrued interest to the date fixed for redemption.	270,000
The Village of Caseville 2005 Water Intake Bonds, in the amount of \$3,284,000, were issued May 9, 2005 from USDA Rural Development. The bond proceeds were issued to construct a new water intake in the bay. The bonds shall bear interest payable each January 1 and July 1 until maturity. The bonds final maturity date is July 1, 2045. The interest rate on the bonds is 4.125%. Bond principal payments are due on July 1 of each year in amounts that range from \$31,000 to \$168,000.	3,221,000
The Village of Caseville Sanitary Sewage Collection and Treatment System Revenue Bonds, in the amount of \$2,881,000, were issued November 2, 1990. The bond proceeds, along with grants of \$3,335,391 from the Environmental Protection Agency and \$590,000 from the USDA Rural Development, were issued to construct a sanitary sewage collection and treatment system. The bonds shall bear interest payable each March 1 and September 1 until maturity. The bonds final maturity date is September 1, 2029. The interest rate on the bonds is 5%. Bond principal payments are due on September 1 of each year in amounts that range from \$55,000 to \$150,000.	2,265,000
The Village of Caseville Water System Revenue Bonds, in the amount of \$455,000, were issued August 20, 1980. The bond proceeds were issued to construct a water tower, and to improve the water distribution system. The bonds bear interest payable each February 1 and August 1 until maturity. The bonds final maturity date is August 1, 2018. The interest rate on the bonds is 5%. Bond principal payments are due on August 1 of each year in amounts that range from \$15,000 to \$25,000.	210,000

VILLAGE OF CASEVILLE, MICHIGAN

**NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2008**

NOTE 7 - LONG-TERM DEBT: (CONTINUED)

The Village of Caseville Water Supply and Distribution System Revenue Bonds, in the amount of \$1,210,000, were issued November 30, 1987. The bond proceeds, along with a grant of \$950,000 from the USDA Rural Development, were issued to construct a water treatment facility and lake intake system, plus improve and extend the water distribution system. The bonds shall bear interest payable each February 1 and August 1 until maturity. The bonds final maturity date is August 1, 2018. The interest rate on the bonds is 6%. Bond principal payments are due on August 1 of each year in amounts that range from \$30,000 to \$60,000.

395,000

Note payable to Thumb National Bank in the amount of \$270,000 dated June 1, 2007 to finance the purchase of CMF retrofit system for the water intake system. Note payments in the amount of \$33,105 commenced on August 1, 2007 and continue until August 1, 2016. The interest rate on the note payable is 4.65%.

239,022

Total Debt Outstanding

7,375,022

Less: Current Portion

(245,991)

Total Long-Term Debt

\$ 7,129,031

Total interest incurred by the Enterprise Funds amounted to \$356,535 for the year ended February 29, 2008, all of which was charged to expense.

NOTE 8 - CONTINGENT LIABILITIES:

The Village is a reimbursing employer for purposes of unemployment insurance claims against the Village. The Village reimburses the State of Michigan for all benefits charged against it in the event of termination of employment and subsequent claims of its employees. Because an estimate cannot be made, the contingent liability for unemployment insurance claims is not recognized in the accompanying financial statements. This expense is recognized as incurred.

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF CASEVILLE, MICHIGAN

**GENERAL FUND
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 29, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET - OVER (UNDER)
REVENUE:				
Property taxes	\$ 423,420	\$ 423,420	\$ 428,789	\$ 5,369
Licenses and permits	16,700	16,700	19,670	2,970
Intergovernmental	97,561	97,561	91,734	(5,827)
Charges for services	87,450	87,450	87,838	388
Fines and forfeits	3,650	3,650	4,384	734
Interest	6,000	6,000	10,484	4,484
Administrative charges	67,424	67,424	62,200	(5,224)
Miscellaneous	12,800	12,800	30,831	18,031
TOTAL REVENUE	<u>715,005</u>	<u>715,005</u>	<u>735,933</u>	<u>20,928</u>
EXPENDITURES:				
Current:				
Village council/president/clerk	67,878	67,878	48,906	18,973
Elections	6,435	6,435	2,076	4,359
Administration	158,212	158,212	145,700	12,512
Village hall and grounds	28,267	31,267	29,800	1,467
Police protection	189,596	196,608	195,557	1,051
Breakwall area	16,826	16,826	15,778	1,048
Department of public works	67,052	76,452	85,531	(9,079)
Water board	1,181	1,181	678	503
Leaf and brush	24,350	24,350	24,681	(331)
Public utilities	35,000	35,200	35,013	187
Sanitation	66,000	66,000	65,276	724
Recreation	16,153	26,153	20,626	5,527
Planning commission	5,415	5,415	1,942	3,473
Zoning board of appeals	9,309	9,309	7,804	1,505
Downtown development authority	72,890	72,890	83,520	(10,630)
TOTAL EXPENDITURES	<u>764,564</u>	<u>794,176</u>	<u>762,889</u>	<u>31,287</u>
EXCESS OF REVENUE (UNDER)				
EXPENDITURES	<u>(49,559)</u>	<u>(79,171)</u>	<u>(26,956)</u>	<u>52,215</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	89,811	89,811	36,603	(53,208)
Operating transfers out	(40,252)	(75,252)	(65,821)	9,431
TOTAL OTHER FINANCING SOURCES (USES)	<u>49,559</u>	<u>14,559</u>	<u>(29,218)</u>	<u>(43,777)</u>
EXCESS OF REVENUE AND OTHER SOURCES				
(UNDER) EXPENDITURES AND OTHER (USES)	<u>-</u>	<u>(64,612)</u>	<u>(56,174)</u>	<u>8,438</u>
FUND BALANCE - BEGINNING	<u>324,298</u>	<u>324,298</u>	<u>324,298</u>	
FUND BALANCE - ENDING	<u>\$ 324,298</u>	<u>\$ 259,686</u>	<u>\$ 268,124</u>	<u>\$ 8,438</u>

VILLAGE OF CASEVILLE, MICHIGAN

**DOWNTOWN DEVELOPMENT AUTHORITY
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 29, 2008**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - OVER (UNDER)</u>
REVENUE:				
Property taxes	\$ 13,522	\$ 13,522	\$ 14,794	\$ 1,272
Current TIFA payments	95,318	95,318	114,740	19,422
Interest and donations	725	725	8,977	8,252
TOTAL REVENUE	<u>109,565</u>	<u>109,565</u>	<u>138,511</u>	<u>28,946</u>
EXPENDITURES:				
Other	3,350	1,850	1,775	75
Capital outlay		41,500	33,344	8,156
Bond principal	25,000	25,000	25,000	-
Bond interest	37,900	56,094	56,094	-
TOTAL EXPENDITURES	<u>66,250</u>	<u>124,444</u>	<u>116,213</u>	<u>8,231</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>43,315</u>	<u>(14,879)</u>	<u>22,298</u>	<u>37,177</u>
FUND BALANCE - BEGINNING OF YEAR	139,670	139,670	139,670	
FUND BALANCE - END OF YEAR	<u>\$ 182,985</u>	<u>\$ 124,791</u>	<u>\$ 161,968</u>	<u>\$ 37,177</u>

SUPPLEMENTAL INFORMATION

VILLAGE OF CASEVILLE, MICHIGAN

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
FEBRUARY 29, 2008**

	<u>SPECIAL REVENUE</u>				<u>OXBOW DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL</u>
	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>POLICE EQUIPMENT</u>				
<u>ASSETS</u>							
<u>CURRENT ASSETS:</u>							
Investments	\$ 24,272	\$ 2,709	\$ 5,572				\$ 32,553
Due from other funds	1,969		515		\$ 3,185		5,669
<u>TOTAL CURRENT ASSETS</u>	<u>26,241</u>	<u>2,709</u>	<u>6,087</u>		<u>3,185</u>		<u>38,222</u>
<u>RESTRICTED ASSETS:</u>							
Investments			652		97,077	\$ 332,622	430,351
Special assessment receivable					194,168		194,168
<u>TOTAL RESTRICTED ASSETS</u>					<u>291,245</u>	<u>332,622</u>	<u>624,518</u>
<u>TOTAL ASSETS</u>	<u>\$ 26,241</u>	<u>\$ 2,709</u>	<u>\$ 6,739</u>		<u>\$ 294,430</u>	<u>\$ 332,622</u>	<u>\$ 662,740</u>
<u>LIABILITIES</u>							
Accrued wages and payroll taxes	\$ 573	\$ 406					\$ 978
Deferred revenue					\$ 194,169		194,169
Due to other funds	273	2,179					2,451
<u>TOTAL LIABILITIES</u>	<u>845</u>	<u>2,585</u>			<u>194,169</u>		<u>197,598</u>
<u>FUND BALANCE</u>							
Reserved for debt service					97,077		97,077
Reserved for capital projects						\$ 332,622	332,622
Reserved for police forfeiture			\$ 652				652
Unreserved	25,396	124	6,087		3,185		34,791
<u>TOTAL FUND BALANCE</u>	<u>25,396</u>	<u>124</u>	<u>6,739</u>		<u>100,261</u>	<u>332,622</u>	<u>465,142</u>
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	<u>\$ 26,241</u>	<u>\$ 2,709</u>	<u>\$ 6,739</u>		<u>\$ 294,430</u>	<u>\$ 332,622</u>	<u>\$ 662,740</u>

VILLAGE OF CASEVILLE, MICHIGAN
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE
FOR THE YEAR ENDED FEBRUARY 29, 2008

	<u>SPECIAL REVENUE</u>				<u>OXBOW DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL</u>
	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>POLICE EQUIPMENT</u>				
REVENUE:							
Special assessments	\$ 63,335	\$ 48,447			\$ 15,390		\$ 15,390
Intergovernmental	760	570	\$ 825		13,779	\$ 868	111,782
Interest		3,347	6,920			-	16,802
Miscellaneous		52,365	7,744		29,169	868	10,267
TOTAL REVENUE	64,095	104,731	14,489		58,338	1,736	154,240
EXPENDITURES:							
Administration	2,020	2,020					4,040
Police capital outlay			27,402				27,402
Routine maintenance	51,079	79,082					130,161
Winter maintenance	10,982	6,566					17,547
Trunkline maintenance	27,325				39,750		27,325
Principal and interest payments					39,750		39,750
TOTAL EXPENDITURES	91,405	87,668	27,402		79,500		246,225
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(27,310)	(35,303)	(19,658)		(10,581)	868	(91,984)
OTHER FINANCING SOURCES (USES):							
Operating transfers in	28,725	27,597	4,900			34,820	96,041
Operating transfers out					(2,824)	(68,736)	(71,560)
TOTAL OTHER FINANCING SOURCES (USES)	28,725	27,597	4,900		(2,824)	(33,916)	24,481
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	1,414	(7,706)	(14,758)		(13,405)	(33,048)	(67,503)
FUND BALANCE - BEGINNING OF YEAR	23,982	7,830	21,497		113,667	365,670	532,646
FUND BALANCE - END OF YEAR	\$ 25,396	\$ 124	\$ 6,739		\$ 100,261	\$ 332,622	\$ 465,142

VILLAGE OF CASEVILLE, MICHIGAN

**MAJOR STREET FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 29, 2008**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - OVER (UNDER)</u>
REVENUE:				
Intergovernmental:				
Gas and weight tax	\$ 48,000	\$ 48,000	\$ 48,777	\$ 777
M-25 maintenance	10,000	10,000	8,241	(1,759)
County road tax	20,464	20,464	6,317	(14,147)
Total intergovernmental	78,464	78,464	63,335	(15,129)
Interest	100	100	760	660
TOTAL REVENUE	<u>78,564</u>	<u>78,564</u>	<u>64,095</u>	<u>(14,469)</u>
EXPENDITURES:				
Administration	2,020	2,020	2,020	
Routine maintenance	69,563	69,583	51,079	18,504
Winter maintenance	12,000	12,000	10,982	1,018
Trunkline maintenance	40,733	43,108	27,325	15,783
TOTAL EXPENDITURES	<u>124,316</u>	<u>126,711</u>	<u>91,405</u>	<u>35,305</u>
EXCESS OF REVENUE (UNDER) EXPENDITURES	<u>(45,752)</u>	<u>(48,147)</u>	<u>(27,310)</u>	<u>20,836</u>
OTHER FINANCING SOURCES:				
Operating transfers in	45,752	45,752	28,725	(17,027)
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(2,395)</u>	<u>1,414</u>	<u>3,808</u>
FUND BALANCE - BEGINNING OF YEAR	<u>23,982</u>	<u>23,982</u>	<u>23,982</u>	
FUND BALANCE - END OF YEAR	<u>\$ 23,982</u>	<u>\$ 21,587</u>	<u>\$ 25,396</u>	<u>\$ 3,808</u>

VILLAGE OF CASEVILLE, MICHIGAN

**LOCAL STREET FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 29, 2008**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - OVER (UNDER)</u>
REVENUE:				
Intergovernmental:				
Gas and weight tax	\$ 24,500	\$ 24,500	\$ 24,069	\$ (431)
County road tax	5,394	5,394	24,379	18,985
Total intergovernmental	29,894	29,894	48,447	18,553
Telecommunications maintenance	3,500	3,500	3,347	(153)
Interest	1,000	1,000	570	(430)
TOTAL REVENUE	<u>34,394</u>	<u>34,394</u>	<u>52,365</u>	<u>17,971</u>
EXPENDITURES:				
Construction	7,585	4,000	-	4,000
Administration	2,020	2,020	2,020	
Routine Maintenance	41,560	89,145	79,082	10,063
Winter Maintenance	8,000	9,000	6,566	2,434
TOTAL EXPENDITURES	<u>59,165</u>	<u>104,165</u>	<u>87,668</u>	<u>16,497</u>
EXCESS OF REVENUE (UNDER) EXPENDITURES	<u>(24,771)</u>	<u>(69,771)</u>	<u>(35,303)</u>	<u>34,468</u>
OTHER FINANCING SOURCES:				
Operating transfers in	24,771	69,771	27,597	(42,174)
EXCESS OF REVENUE AND OTHER SOURCES (UNDER) EXPENDITURES AND OTHER USES	<u>-</u>	<u>-</u>	<u>(7,706)</u>	<u>(7,706)</u>
FUND BALANCE - BEGINNING OF YEAR	7,830	7,830	7,830	
FUND BALANCE - END OF YEAR	<u>\$ 7,830</u>	<u>\$ 7,830</u>	<u>\$ 124</u>	<u>\$ (7,706)</u>

VILLAGE OF CASEVILLE, MICHIGAN

**POLICE EQUIPMENT FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 29, 2008**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - OVER (UNDER)</u>
REVENUE				
Interest		\$ 200	\$ 825	\$ 625
Fees and restitution	\$ 4,200	4,000	6,920	2,920
TOTAL REVENUE	4,200	4,200	7,744	3,544
EXPENDITURES:				
Police protection	24,300	27,500	27,402	98
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(20,100)</u>	<u>(23,300)</u>	<u>(19,658)</u>	<u>3,642</u>
OTHER FINANCING SOURCES:				
Equipment sale			1,900	1,900
Operating transfers in	24,000	24,000	3,000	(21,000)
TOTAL OTHER FINANCING SOURCES	24,000	24,000	4,900	(19,100)
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>3,900</u>	<u>700</u>	<u>(14,758)</u>	<u>(17,358)</u>
FUND BALANCE - BEGINNING OF YEAR	21,497	21,497	21,497	
FUND BALANCE - END OF YEAR	<u>\$ 25,397</u>	<u>\$ 22,197</u>	<u>\$ 6,739</u>	<u>\$ (17,358)</u>

VILLAGE OF CASEVILLE, MICHIGAN

SEWER FUND SCHEDULE OF REVENUE, EXPENSES, AND CHANGE IN NET ASSETS - BUDGET AND ACTUAL FOR THE YEAR ENDED FEBRUARY 29, 2008

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- OVER (UNDER)</u>
OPERATING REVENUE:			
Charges for services	\$ 126,910	\$ 124,254	\$ (2,656)
Penalties	1,000	1,924	924
TOTAL OPERATING REVENUE	<u>127,910</u>	<u>126,178</u>	<u>(1,733)</u>
OPERATING EXPENSES:			
Salaries and wages	38,900	37,558	1,342
Employee benefits	25,327	22,127	3,200
Administration	15,546	14,540	1,006
Operating supplies	37,200	5,915	31,285
Contracted services	2,200	-	2,200
Utilities	7,650	8,280	(630)
Depreciation	-	117,084	(117,084)
Repairs and maintenance	5,000	3,244	1,756
Insurance	3,602	5,305	(1,703)
Equipment rental	12,000	10,365	1,635
Miscellaneous	2,600	2,048	552
TOTAL OPERATING EXPENSES	<u>150,025</u>	<u>226,466</u>	<u>(76,441)</u>
OPERATING (LOSS)	<u>(22,115)</u>	<u>(100,288)</u>	<u>(78,173)</u>
NONOPERATING REVENUE (EXPENSES):			
Interest income	15,000	18,982	3,982
Interest expense - long-term debt	(116,500)	(114,875)	1,625
Principal payments	(65,000)		65,000
Service charges - debt	135,000	138,089	3,089
TOTAL NONOPERATING REVENUE (EXPENSE)	<u>(31,500)</u>	<u>42,196</u>	<u>73,696</u>
(LOSS) BEFORE OTHER FINANCING SOURCES	<u>(53,615)</u>	<u>(58,092)</u>	<u>(4,477)</u>

VILLAGE OF CASEVILLE, MICHIGAN

**SEWER FUND
SCHEDULE OF REVENUE, EXPENSES, AND CHANGE IN NET ASSETS -
BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 29, 2008**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- OVER (UNDER)</u>
OTHER FINANCING SOURCE:			
Transfer from other funds	<u>53,615</u>	<u>43,438</u>	<u>(10,177)</u>
TOTAL OTHER FINANCING SOURCE	<u>53,615</u>	<u>43,438</u>	<u>(10,177)</u>
CHANGE IN NET ASSETS	<u>-</u>	<u>(14,655)</u>	<u>(14,655)</u>
NET ASSETS - BEGINNING	3,066,292	3,066,292	
NET ASSETS - ENDING	<u>\$3,066,292</u>	<u>\$3,051,637</u>	<u>\$ (14,655)</u>

VILLAGE OF CASEVILLE, MICHIGAN

**WATER FUND
SCHEDULE OF REVENUE, EXPENSES, AND CHANGE IN NET ASSETS -
BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 29, 2008**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- OVER (UNDER)</u>
OPERATING REVENUE:			
Charges for services	\$ 794,271	\$ 878,165	\$ 83,894
Penalties	1,200	4,515	3,315
Miscellaneous	200	498	298
TOTAL OPERATING REVENUE	<u>795,671</u>	<u>883,178</u>	<u>87,507</u>
OPERATING EXPENSES:			
Salaries and wages	191,420	191,235	185
Employee benefits	115,845	111,674	4,171
Administration	46,638	43,620	3,018
Office supplies	200	148	52
Operating supplies	45,150	36,946	8,204
Lab supplies	12,000	14,889	(2,889)
Maintenance supplies	5,000	4,981	19
Contracted services	17,200	9,427	7,773
Legal	225	5,380	(5,155)
Utilities	45,800	48,678	(2,878)
Amortization	-	673	(673)
Depreciation	-	241,744	(241,744)
Repairs and maintenance	628,800	34,613	594,187
Insurance	40,666	35,328	5,338
Equipment rental	19,200	22,724	(3,524)
Miscellaneous	2,800	1,063	1,737
TOTAL OPERATING EXPENSES	<u>1,170,944</u>	<u>803,122</u>	<u>367,822</u>
OPERATING INCOME (LOSS)	<u>(375,273)</u>	<u>80,056</u>	<u>455,329</u>
NONOPERATING REVENUE (EXPENSES):			
Interest income	5,000	9,553	4,553
Interest expense - long-term debt	(251,160)	(241,660)	9,501
Bond and grant proceeds	349,022	-	(349,022)
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>102,861</u>	<u>(232,107)</u>	<u>(334,969)</u>
(LOSS) BEFORE OTHER FINANCING SOURCES (USES)	<u>(272,412)</u>	<u>(152,051)</u>	<u>120,360</u>
OTHER FINANCING SOURCES (USES):			

VILLAGE OF CASEVILLE, MICHIGAN

**WATER FUND
SCHEDULE OF REVENUE, EXPENSES, AND CHANGE IN NET ASSETS -
BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 29, 2008**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- OVER (UNDER)</u>
Transfer from other funds	29,392	15,339	(14,053)
Transfer to other funds	<u>(60,106)</u>	<u>(54,964)</u>	<u>5,142</u>
TOTAL OTHER FINANCING (USES)	<u>(30,714)</u>	<u>(39,625)</u>	<u>(8,911)</u>
 CHANGE IN NET ASSETS	 <u>(303,126)</u>	 <u>(191,677)</u>	 <u>111,449</u>
 NET ASSETS - BEGINNING	 2,028,679	 2,028,679	
 NET ASSETS - ENDING	 <u>\$ 1,725,553</u>	 <u>\$ 1,837,002</u>	 <u>\$ 111,449</u>

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Village Council
Village of Caseville, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Caseville, Michigan, as of and for the year ended February 29, 2008, which collectively comprise the Village of Caseville, Michigan's basic financial statements and have issued our report thereon dated August 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Caseville, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Caseville, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Caseville, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of Caseville, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village of Caseville, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the Village of Caseville, Michigan's internal control. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting. (2008-1 to 2008-5)

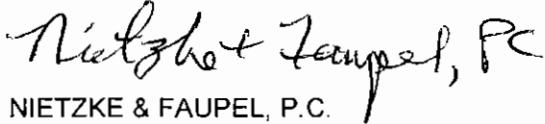
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Caseville, Michigan's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2008-4 and 2008-5 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Caseville, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Village Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Nietzke & Faupel, PC". The signature is written in a cursive, flowing style.

NIETZKE & FAUPEL, P.C.
PIGEON, MICHIGAN

August 28, 2008

**VILLAGE OF CASEVILLE, MICHIGAN
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED FEBRUARY 29, 2008**

FINDINGS – FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCY

2008-1 Signing of checks

Condition: The Village uses dual signature checks that require the signature of two Village Officials. As a result of our audit we found that there are currently ten authorized check signers on the Village's accounts. This includes the Village's Financial Administrator who is responsible for the preparation of the checks. While this practice allows for the assurance of availability of the two check signers required for the dual signature policy, it poses a significant risk for weak internal control over cash.

Criteria: Checks should be signed by two Village Officials, however ten authorized check signers is excessive and can lead to weak internal controls. Also, the individual that prepared the cash disbursements should not have access to the checks after they have been approved for payment and the checks signed. This represents a lack of segregation of duties.

Effect: This could allow for the override of the Village's internal controls over cash disbursements.

Recommendation: We suggest that the number of authorized check signers be limited to three or four signatories such as the Treasurer and the Finance Committee.

Response: Change current policy for check signing to:
The authorization for the Village of Caseville check signing will have three council members, the Village President, the Village Treasurer and the Office Administrator as approved check signers. The Village Council will select the three council members. The check processor will not sign the checks that he/she prepares. Res. #2008-63 passed 9-08-08.

2008-2 Approval of cash disbursements

Condition: Currently, the Village processes cash disbursements on a weekly basis. As a result the Village Council approves the cash disbursements at their monthly meeting after the disbursements have been made.

Criteria: According to the State of Michigan Accounting Manual for Local Units of Government, cash disbursements are required to be approved by the legislative body prior to payment. The Village Council may establish a formal policy to authorize limited payments prior to approval to avoid finance or late charges as well as payroll and related payroll tax payments.

Effect: This approval process is an important internal accounting control to help ensure that only authorized disbursements are being made.

Recommendation: The Village should establish procedures where the cash disbursements for the month are processed. After they are processed, the disbursements along with the supporting documentation should be presented to the Village Council for approval. After the disbursements have been approved by the Council, the checks can be signed by the two authorized Village Officials and the payments mailed to the vendors.

Response: Disbursements will be processed and presented to the Village Council for approval, and then two authorized Village officials will sign the checks. Exceptions are permitted when finance charges can be avoided and discounts may be realized as well as for payroll and payroll related expenses. Res. #2008-64 passed 9-08-08.

**VILLAGE OF PIGEON
SCHEDULE OF FINDINGS
YEAR ENDED FEBRUARY 29, 2008**

FINDINGS – FINANCIAL STATEMENTS AUDIT

2008-3 Reconciliation of accounts receivable ledger to general control account

Condition: The Village processes its utility billings and collections (water, sewer, and trash charges) using a program separate from the general ledger system. Monthly lists are maintained of unpaid utility charges at the end of each month. However, the list of outstanding utility charges is not reconciled to the general ledger control accounts until the end of the fiscal year.

Criteria: In order to help ensure the accuracy and completeness of the accounts receivable ledger the accounts receivable ledger should be periodically reconciled to the general ledger control account.

Effect: This practice serves as a check on the accuracy of the record keeping process and maintains the accounts receivable on a more timely and accurate basis.

Recommendation: The detail listing of accounts receivable should be reconciled to the general ledger control accounts at the end of each month. Any differences should be investigated and resolved as soon as possible.

Response: The utility billing accounts receivable will be reconciled monthly to the general ledger accounts starting immediately.

MATERIAL WEAKNESSES

2008-4 Preparation of year end closing procedures

Condition: This year, as in the past, we assisted the accounting staff with the basic year-end bookkeeping and accounting procedures that are necessary to prepare the books for audit purposes. This also included the preparation of several material year end adjusting entries that were necessary to keep the financial statements from being materially misstated.

Criteria: The accounting staff should be able to perform the year end closing procedures and prepare the appropriate year end closing entries in order to ensure that the year end financial statements are not materially misstated. Also, the year end closing procedures should be supervised and reviewed by Village officials with an adequate knowledge of the Village's activities during the fiscal year.

Effect: This situation could allow the misstatement of the financial statements.

Recommendation: With adequate training, the accounting staff should become familiar with the necessary procedures to complete the year end accounting. In time, the condition of the accounting records should become better and less assistance will be required in this area by the auditors. We suggest that the Village provide its accounting staff with the necessary training to ensure they are able to efficiently prepare the year end accounting for the audit.

Response: An internal Village study will be undertaken to gather information and costs to fulfill this recommendation that closing entries and year end closing accounting procedures will be performed by a third party other than the Village's external auditors. The Village will either train its staff or hire an independent accountant to complete the responsibilities.

2008-5 Preparation of the GAAP basis financial statements

Condition: Along with assisting with the year end closing procedures to the Village's accounting records, we also assisted the Village by preparing the annual financial statements (including required disclosures) of the Village prepared in accordance with generally accepted accounting principles.

Criteria: The responsibility for the Village's annual financial statements prepared in accordance with generally accepted accounting principles rests with the management of the Village. Management is also responsible for the system of internal accounting controls used to ensure that the financial statements are not materially misstated.

**VILLAGE OF PIGEON
SCHEDULE OF FINDINGS
YEAR ENDED FEBRUARY 29, 2008**

FINDINGS – FINANCIAL STATEMENTS AUDIT

Effect: This situation could allow the misstatement of the financial statements.

Recommendation: We recommend that the Village acquire the expertise necessary to prepare the annual financial statements including the required disclosures in accordance with generally accepted accounting principles.

Response: An internal Village study will be undertaken to gather information and costs to fulfill this recommendation to have a third party other than the Village's external auditors prepare the year-end annual financial statements (including required disclosures).